



U.S. Department of Justice

Executive Office for United States Trustees

Office of the Director

Washington, D.C. 20530

March 17, 1993

MEMORANDUM

TO: All United States Trustees

FROM: *WFB* William F. Baity  
Deputy Director

SUBJECT: Procedures for the Resolution of Deficiencies and  
Closure of Chapter 12 and 13 Audits

The following discussion sets out the standard operating procedure for closure of the auditors' reports on chapter 12 and chapter 13 trustees, whether case-by-case trustees or standing trustees. Currently, chapter 12 trustees receive an audit at least once every three years conducted by the Office of Inspector General. A chapter 13 trustee receives an audit every year conducted by an independent accounting firm. To be able to properly supervise the chapter 12 and 13 trustees, the United States Trustee must be involved in the audit process and resolution.

The regional standing trustee coordinator as the designee of the United States Trustee should participate in the exit interview between the auditors and the trustee. This interview provides the United States Trustee with an overview of the trustee's operations and identifies areas needing improvement and areas requiring corrective action. Appropriate remedial action also may be discussed during the exit interview.

Submission of an auditor's report to the United States Trustee does not constitute closure of the audit by the Program. Rather, as discussed below, closure occurs only after the United States Trustee recommends and the Assistant Director for the Office of Review and Oversight concurs that all findings have been satisfactorily addressed. For chapter 12 audits, the United States Trustee must submit a closure recommendation to the Office of Inspector General. A copy of the recommendation should be provided to the Assistant Director, Office of Review and Oversight.

Within 45 days of the receipt of the audit report, the chapter 12 or 13 trustee must submit to the United States Trustee a written explanation of corrective action and procedural changes which have been implemented to prevent each noted deficiency from reoccurring. The United States Trustee must confirm the trustee's actions.

As part of the standing trustee supervision functions, you should ensure that any actions reported as corrected by the trustee have in fact been implemented. Whenever an audit report contains a consequential finding as listed below, the United States Trustee must seek documentation and/or make an on-site visit to the trustee's office to verify resolution. This verification must take place within three months of the trustee's response. The designee will provide a memorandum to the files describing, for each noted deficiency, the resolution implemented and the verification process.

CHAPTERS 12 AND 13 AUDIT DISCREPANCIES  
REQUIRING FOLLOW-UP VISIT(S)

1. Insufficient computer security, including lack of restriction on internal software edits
2. Non-existent, inaccurate, incomplete or slow bank reconciliations
3. No restrictive endorsement of debtor checks received
4. Lack of procedure to verify control over receipts
5. Lack of receipt policy for hard currency remittances
6. Inadequate control over facsimile check signing machine and signature stamp
7. Insufficient documentation of expenses
8. Inadequate oversight of cash related transactions and employee delegated responsibilities in maintaining financial records
9. Failure to make timely disbursements to creditors

The closure of the audit is more than a mere formality and should be accomplished no later than six months from the date of the audit report. The United States Trustee must determine that the trustee has indeed corrected all noted deficiencies and forward the audit closure report to the Assistant Director prior

**All United States Trustees - 3**

to this deadline in order to allow time for the Office of Oversight and Review to determine that the audit closure report is complete.

The above delineated audit closure procedures are effective with the receipt of 1992 audits for chapter 12 standing trustees and FY '92 audits of standing 13 trustee.